

## ABSTRACT

A communication network based system and method for auctioning shares of investment product is disclosed. In the preferred embodiment, an investment company pursuant to the Investment Company Act of 1940, creates a publicly registered investment product (e.g., a mutual fund) with its own capital and as sole shareholder. After the investment product returns a pre-determined hurdle rate, or rate of return, the investment company then preferably liquidates its investment position in the investment product in order to freeze the net asset value of the shares of the mutual fund. The investment product is later opened for auction and the server system receives and stores bids from a plurality of bidders, in increments up to the net asset value. The bids preferably comprise a bid price per share and the number of shares bid. At the close of the auction, the server system preferably determines winning bidders by successively determining the highest bidder. During this process, the server system reduces the total number of available shares to be distributed by the number of shares bid by the highest bidder. Once all of the available shares have been allocated to the winning bidders, the investment product shares are redeemed at the net asset value reflecting the hurdle rate. Each of the winning bidders is receives a return equal to the difference between the net asset value and the respective winning bidders' bid price per share multiplied by the number of shares bid by each respective winning bidder.

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